

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 95-160-G - ORDER NO. 95-1461
AUGUST 22, 1995

IN RE: Annual Review of Purchased Gas Recovery) ORDER RULING ON
 Procedures and Gas Purchasing Policies) GAS COSTS AND
 of Piedmont Natural Gas Company.) GAS PURCHASING
) POLICIES

On October 16, 1991, the Public Service Commission of South Carolina (the Commission) issued its Order No. 91-927, which requires the Commission Staff (the Staff) to make an annual audit of the Purchased Gas Adjustment (PGA) and Gas Purchasing Policies of Piedmont Natural Gas Company (Piedmont or the Company), report to the Commission the results of Staff's audit, and to make the results available to the Company and the Consumer Advocate for the State of South Carolina (the Consumer Advocate) upon completion.

By letter, the Commission's Executive Director instructed the Company to publish a prepared Notice of Filing, one time, in a newspaper of general circulation in the area affected by the Company's Application. The Notice of Filing indicated the nature of the Company's Application and advised all interested parties of the manner and time in which to file appropriate pleadings for participation in the proceedings. The Company was instructed to directly notify all of its customers affected. The Company submitted affidavits indicating that it had complied with these

instructions.

A hearing was held on August 3, 1995 in the offices of the Commission with the Honorable Rudolph Mitchell, Chairman, presiding. Piedmont was represented by Jerry W. Amos, Esquire, and John E. Schmidt, Esquire. The Company presented the testimony of Ann H. Boggs and Chuck W. Fleenor. The Consumer Advocate was represented by Hana Pokorna-Williamson, Esquire. The Consumer Advocate presented no witnesses. The Commission Staff was represented by F. David Butler, General Counsel. The Staff presented the testimony of Norbert M. Thomas and Brent L. Sires.

Company witness Boggs testified that the Company is proposing a change in the true-up of its PGA. It is proposing to eliminate the separate calculation for benefits of the first 30,000 dekatherms of firm transportation (FT), as specified in Section IV(F) in the Company's PGA tariff. Boggs states that this provision was developed to provide benefits to residential and commercial customers at a time when federal rules permitted FT only for certain industrial customers under special marketing programs. Boggs states that under FERC Order No. 636, all customers benefit from open access transportation. Therefore, it is no longer necessary or appropriate to provide these special benefits.

Company witness Chuck W. Fleenor testified with respect to the Company's "best cost purchasing philosophy," and the steps taken during the review period to comply with that philosophy. Fleenor testified that the Company is satisfied that the policies

and procedures presently in place are prudent, and that they have produced adequate amounts of reasonably priced gas for Piedmont's customers.

Staff witness Thomas stated that the Commission Staff had analyzed the balance in Account No. 253.04 at March 31 in 1995. The account balance as listed by the Company is \$3,722,998. Thomas expressed the opinion that the adjusted balance at March 31, 1995 was \$3,827,539, which represents the amount present in Account No. 253.04. Thomas recommended no plan of distribution of that amount.

Staff witness Brent Sires also did not recommend a refund plan at the present time of the amount above the \$3 million figure originally set by the Commission in the prior Order for Account No. 253.04. Sires reasoned that a new PGA was filed because the Company felt that the current filed rates were overstated, based on their latest known information of gas cost at January 1995. The Company experienced lower gas costs than expected, which resulted in larger than expected credits to the deferred account. Sires believes that the approval of Piedmont's PGA 78 that went into effect February 1, 1995, which lowered the billed rates to Piedmont customers, will bring the level of the deferred account at or below the \$3 million target as established by this Commission. Sires also stated that the Company had refunded \$2,296,510 to Piedmont's customers pursuant to a \$.01 per therm decrement in the billed rates. The Company incurred spot gas savings of \$1,305,692 which were concurrently distributed to

Piedmont's customers through the \$.01 per therm decrement. Also, Piedmont refunded \$226,476 to its customers pursuant to the \$.01 decrement with regard to the Weather Normalization Adjustment.

Sires expressed the opinion that the \$2.20 per dekatherm benchmark cost of gas is representative of the Company's gas costs on the average over the next twelve (12) months. Therefore, Staff witness Sires recommends no change in the presently established benchmark cost of gas for Piedmont.

Sires agrees that the separate calculation for benefits of the first 30,000 dekatherms of firm transportation, as specified in the Company's PGA tariff is no longer needed pursuant to the provisions of FERC Order No. 636.

Finally, Sires concluded that Piedmont is prudent in its purchasing practices, and is acting prudently in arranging for suppliers to meet the requirements of its firm customers.

Based on the record as a whole, the Commission concludes that the Company's gas purchasing practices and policies are prudent. With regard to revenues for capacity relief, the Commission believes that the monthly report rendered by Piedmont to the Commission should include capacity release activity.

With regard to the balance in Account No. 253.04, the Commission believes that the Staff position on this matter is appropriate. The Commission notes from the record that the \$3 million balance in Account No. 253.04 has fluctuated over the review period with the account often containing much less than the \$3 million benchmark figure. The Commission agrees with Staff

witness Sires' testimony that the PGA 78 filing of the Company should contribute to a decrease in this figure. The Commission also agrees with Commission witness Sires and Thomas' position that no refund procedure should be put into effect at this time.

The Consumer Advocate made two Motions at the close of testimony. First, the Consumer Advocate moved that all parties involved in Piedmont's annual PGA review should discuss the future handling of capacity release revenues, and that, after said discussion, should make recommendations to the Commission for any prospective changes in the present procedures. The Consumer Advocate moved the Commission for an order ordering Piedmont to meet with the Consumer Advocate. Prior to ruling on this matter, Piedmont's representatives volunteered to meet with the Consumer Advocate. Therefore, the Commission will not rule on this Motion.

The Consumer Advocate also moved that any amount above \$3 million in Account No. 253.04 should be refunded to Piedmont's customers in such distribution plan as may be developed by the Commission. For the reasons stated above, this Motion must be denied, in that the balance in Account No. 253.04 has swung from substantially below \$3 million to its present point at \$3,827,539. No distribution plan is appropriate, and we hold that the presently-filed PGA factor should contribute to a reduction in this amount.

However, the Commission is concerned about this matter, and believes that a review should be required of the deferred account balance in the next rate case, to possibly compute interest on a

floating balance, or take such other action as may be appropriate subsequent to the Commission's review. At present, \$3 million, the amount in the deferred account has been removed from the rate base of the Company. Since the amount has been both more and less than that, depending on the time of the review period considered, the Commission believes that both the Company and the ratepayers suffer at times due to this loss of rate base amount. The Commission therefore believes that the entire matter of the \$3 million balance in the deferred account be reviewed during the next rate case and, the concept that, among other things, interest may be imputed on a floating balance.

IT IS THEREFORE ORDERED THAT:

1. Piedmont is hereby permitted to maintain its commodity cost of gas at \$2.20 per dekatherm as requested in Piedmont's filing. This amount is without prejudice to Piedmont's right to further revise a benchmark in accordance with provisions of its PGA, if future conditions warrant, and is without prejudice to the parties right to request review of the benchmark in accordance with the Commission's PGA provisions.
2. The current procedures in Piedmont's PGA result in a properly stated cost of gas recorded in compliance with Commission Orders, and that the deferred account activity was properly recorded and reported to the Commission as required.
3. Piedmont continue to account for revenues from capacity release as it did during the review period. However, the monthly report provided by the Company should contain capacity release

activities.

4. The Company shall no longer be required to break out the first 30,000 dekatherms for special consideration, due to the fact that FERC Order 636 makes this procedure unnecessary.

5. The Company's gas purchasing practices and policies are hereby found to be prudent.

6. The Commission will not rule on the Consumer Advocate's Motion requiring Piedmont to meet with it and other parties. However, the Commission denies the Consumer Advocate's second Motion, which would require a distribution plan of any amount collected by the Company over \$3 million in Account No. 253.04.

7. The Company shall file rate schedules and tariffs reflecting the benchmark cost of gas and other matters as necessary as ordered herein within ten (10) days of the Company's receipt of this Order.

8. This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:


Chairman

ATTEST:


Executive Director

(SEAL)